



**United States Department of Justice
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News Release

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Owner of Local Car Dealership Sentenced to Federal Prison for Defrauding Bank

Minneapolis - The owner of a used car dealership in Newport, Minnesota, was sentenced today in federal court in St. Paul for defrauding a Minneapolis bank. Michael Burt Karnitz, age 54, of Cottage Grove, Minnesota, was ordered to serve seventeen months in federal prison for his crime. The sentence was imposed by United States District Court Judge Donovan W. Frank. Earlier Karnitz had pleaded guilty to one count of bank fraud and one count of money laundering in connection to this case.

Court documents indicate that in August of 2002, Karnitz, doing business as M&K Auto Sales, obtained a \$1.3 million line of credit from First Farmers and Merchants National Bank in Minneapolis. Karnitz was to use the line of credit to purchase used vehicles for resale at his car dealership. The financing arrangement required Karnitz to pledge the used vehicles he purchased as collateral for the amounts advanced under the line of credit and to repay the advances after reselling those vehicles.

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Karnitz admitted, however, that between August, 2002, and January, 2003, he defrauded the bank by misrepresenting the purchase prices of vehicles to obtain line-of-credit advances substantially higher than the amounts he actually paid to buy the cars. Karnitz also admitted he resold the vehicles without subsequently paying off the loans, as required by the financing agreement. Instead, he used the proceeds from those sales for other purposes.

This case resulted from an investigation conducted by the Federal Bureau of Investigation and the Internal Revenue Service, Criminal Investigation Division. Assistant United States Attorney Timothy C. Rank prosecuted the case.

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